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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: : Chapter 11
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: :
SEARS HOLDING CORPORATION., : Case No. 18-23538 (RDD)
: :
Debtors¹. : **(Joint Administration)**
: :
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**STATEMENT OF THE KCD INDENTURE TRUSTEE REGARDING THE
GLOBAL SALE TRANSACTION AS PROPOSED BY THE DEBTORS**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365), and SRe Holding Corporation (4816). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

U.S. Bank National Association, in its capacity as indenture trustee (in such capacity, the “KCD Indenture Trustee”) under the Indenture,² dated as of May 18, 2006, by and between KCD IP, LLC (“KCD IP”) and the KCD Indenture Trustee (as amended, supplemented or modified from time to time, the “Indenture”), by and through its attorneys, hereby files this statement concerning the Debtors’ proposed Global Asset Sale Transaction (defined below).³ In connection herewith, the KCD Indenture Trustee respectfully states as follows:

STATEMENT

1. In May of 2006, KCD IP, a non-debtor affiliate of the Debtors, was assigned certain rights to the Kenmore, Craftsman, and Diehard trademarks and tradenames (collectively the “Trademarks”) for the purpose of entering into a series of agreements in connection with the issuance of asset-backed securities (the “Notes”) under the Indenture. The Notes are currently owned by Sears Reinsurance Company Ltd. (“Sears Re” or the “Holder”).⁴

2. In connection with the issuance of the Notes under the Indenture, KCD IP licensed the use of the Trademarks under certain license agreements, dated May 18, 2006, (collectively, and as the same may be amended, supplemented or modified from time to time, the “License Agreements”) with Debtors Sears, Roebuck and Co. (“Sears Roebuck”) and KMART Corporation (“KMART” and together with Sears Roebuck, the “Debtor Licensees”), respectively. In addition, to secure its obligations, KCD IP granted the KCD Indenture Trustee a security interest in, among other things, the Trademarks, the License Agreements, and all

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture or the Servicing Agreement (defined below), as applicable.

³ The KCD Indenture Trustee’s deadline to object to the Global Asset Sale Transaction was extended to January 30, 2019 by the Debtors.

⁴ Sears Re is a non-debtor affiliate of the Debtors charged with insuring or reimbursing certain of their service, protection and warranty obligations to customers and reinsuring certain insurance risks.

sublicenses with respect to any of the Trademarks ("Sublicenses"), including any Sublicenses that either of the Debtor Licensees may enter into with third parties from time to time.⁵

3. Contemporaneously with the execution of the Indenture, with respect to administering, servicing, protecting the integrity of, and enforcing the Trademarks, License Agreements and Sublicenses, (i) Debtor Sears Holdings Management Corporation was appointed as Servicer⁶ and (ii) Debtor Sears Brands Business Unit Corporation was appointed as Manager.⁷ Ocean Tomo, LLC, a non-debtor was designated to serve as Back-Up Manager⁸ in the event the Manager is removed.

4. The KCD Indenture Trustee has engaged in significant discussions with the Debtors concerning the treatment of the KCD Agreements, as well as the potential treatment of the Indenture, Servicing Agreement, Management Agreement and related KCD IP's assets under the Asset Purchase Agreement. As a result of those discussions, the KCD Indenture Trustee believes it has reached an agreement with the Debtors concerning language to be modified in the Sale Order to address its concerns.

5. By and through this Statement, the KCD Indenture Trustee reserves its right to object to the proposed Sale Order in the event the Debtors fail to include the proposed language

⁵ The collateral also includes any other licenses of the Trademarks to which KCD IP is a party from time to time as licensor, any extension, modification, renewal, or replacement of any such licenses, and all proceeds of the foregoing, including, without limitation, all forms of income, proceeds, or compensation paid on account of the foregoing.

On May 18, 2006, the Issuer and the KCD Indenture Trustee entered into that certain Trademark Security Agreement (amended, supplemented or modified from time to time, the "Trademark Security Agreement").

⁶ On May 18, 2006, the Issuer, the KCD Indenture Trustee and Sears Holdings Management Corporation, as Servicer (the "Servicer") entered into that certain Servicing Agreement (amended, supplemented or modified from time to time, the "Servicing Agreement").

⁷ On May 18, 2006, the Issuer and Sears Brands Business Unit Corporation (f/k/a Sears Intellectual Property Management Company), as Manager (the "Manager") entered into that certain Management Agreement, (amended, supplemented or modified from time to time, the "Management Agreement").

⁸ On May 18, 2006, the Issuer, the KCD Indenture Trustee and Ocean Tomo, LLC, as Back-Up Manager (the "Back-Up Manager") entered into that certain Back-Up Management Agreement, (amended, supplemented or modified from time to time, the "Back Up Management Agreement").

in the Sale Order or further modify the Sale Order in a way that impacts the Indenture, Servicing Agreement, Management Agreement or the KCD Indenture Trustee's collateral.

Dated: January 31, 2019

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as Indenture Trustee*